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Report Highlights:
Taiwan's wheat demand is expected to fall slightly to 1.06 million metric tons in 2005/06. Although importers may continue experimenting with small volumes of non-U.S. feed wheat imports, the United States is expected to keep an 85+ percent share of the wheat market during the forecast period. Taiwan's demand for corn imports in 2005/06 is forecast at 4.89 million metric tons, continuing its slow decline. Most of this decrease will come from falling Taiwan broiler production resulting from the 2005 liberalization of chicken meat imports. Taiwan is moving to require the use of corn-derived biodegradable bioplastics for several products. In the years to come, this could significantly boost U.S. PLA exports to Taiwan. Rice imports are expected to remain steady at the quota-fixed 144,720 tons, with the U.S. remaining the dominant supplier in the public tenders while Thailand and Egypt supply most of the private sector imports. Note: The current exchange rate is $1 = NT$31.3.

Includes PSD Changes: Yes
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SECTION I. COMMODITY SITUATION AND OUTLOOK

Wheat Situation & Outlook

Table 1. Wheat Production, Supply and Demand, 1,000 MT

PSD TABLE						
Country	Taiwan					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2003		07/2004		07/2005
Area Harvested	0	0	0	0	0	0
Beginning Stocks	249	290	289	312	269	285
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1216	1224	1100	1091	0	1050
Jul-Jun Imports	1216	1195	1100	1100	0	1050
Jul-Jun Import U.S.	1049	1020	0	935	0	900
TOTAL SUPPLY	**1465**	**1514**	**1389**	**1403**	**269**	**1335**
TOTAL Mkt. Yr. Exports	26	0	20	0	0	0
Jul-Jun Exports	26	0	20	0	0	0
Feed Dom. Consumption	150	152	100	68	0	10
TOTAL Dom. Consumption	**1150**	**1202**	**1100**	**1118**	**0**	**1060**
Ending Stocks	289	312	269	285	0	275
TOTAL DISTRIBUTION	**1465**	**1514**	**1389**	**1403**	**0**	**1335**

Note: 2003/04 revisions come from changes in official USDA numbers.

Production

Taiwan's wheat production is negligible.

Consumption

Taiwan's wheat demand is expected to fall slightly to 1.06 million metric tons in 2005/06, mostly because of lower feed wheat imports. Taiwan's overall wheat consumption for milling is basically stable, with more than 95 percent of imports used for milling. Consumption of milled products may increase slowly, despite already high per-capita levels. Supporting this increase is high noodle consumption and a dynamic wheat food market driven by Taiwan's 6,000 bakeries, convenience stores, and supermarkets. Intense competition between food manufacturers and strong public interest in new food items encourages a high number of product introductions. This boosts demand for wheat-based products, which is supported by

Taiwan miller production of specialty flour. Years ago, the Taiwan flour market was simply divided into three categories: high, medium and low protein flour. Nowadays, more than 30 different types of specialty flour can be found on the Taiwan market.

Stocks

Taiwan ending stock levels for 2005/06 are expected to be 275,000 tons, which is near the recent historical average of around three months of consumption. During 2003/04, stocks were above normal levels because of volatile world wheat prices. Taiwan usually steps up purchases in response to increasing prices and postpones them when world grain prices fall.

Trade

Since Taiwan does not produce wheat, all demand is met by imports. Although importers sometimes experiment with small imports of feed wheat to offset high corn prices, the United States is expected to keep an 85+ percent share of the overall wheat market during the forecast period. In 2003/04, the U.S. had an 86 percent share, while Australia and India supplied 7 percent each. All wheat sourced from India was for feed. The United States had 92 percent share of Taiwan's total milling wheat imports, while Australia supplied 7 percent.

As for milling wheat, Taiwan imports mostly U.S. #1 wheat, approximately 60 percent is HRS or DNS, while 28 percent is HRW, 11 percent Soft or Western White Wheat, and 1 percent Durum. This mix varies each year mostly depending on quality for the different classes of wheat. Despite its already high levels, the U.S. market share for milling wheat has potential to further increase over time because of the introduction of U.S. Hard White Wheat into export channels in 2004. The superior milling characteristics and price competitiveness of Hard White Wheat are expected to cut Taiwan imports of Australian hard wheat. Although a supply constraint has limited Taiwan imports of U.S. Hard White to only 5,000 tons in 2005 so far, the upward trend for Hard White is expected to resume in the years to come. According to the Taiwan Flour Millers' Association, Taiwan imported 12,000 tons of U.S. hard white and 47,000 tons of competing Australian wheat. This was a major change from a year earlier when Taiwan imported 58,000 tons from Australia. Taiwan wheat importers have mentioned that a stable wheat supply with reliable gluten quality is critical for maintaining quality control of flour milling and Chinese type noodle making.

Feed wheat imports are expected to remain small in the upcoming marketing year, with the forecast at around 10,000 tons. In 2004 and 2005, feed wheat imports from India totaled 152,000 and 68,000 tons, respectively. These imports by Taiwan swine producers were primarily a result of high corn prices. In 2004, the average feed wheat CIF price was $159/mt versus $168/mt for corn.

Flour imports will likely remain very low. In general, Taiwan imports a very small amount of wheat flour that only accounts for about 2 percent of the total supply. Flour imports in 2004 remained at 17,000 tons. All but 2,000 tons of the total came from Japan.

Policy

Cross-Straits Trade

The most serious potential threat to U.S. wheat exports is an opening to PRC flour, wheat or processed products. Although liberalization continues to be delayed by icy cross-straits relations, local industry sources expect Taiwan to eventually lift import bans on PRC products. Currently, Taiwan authorities review these restrictions every six months, with the next review scheduled for September 2005. Taiwan authorities also consider liberalization petitions from local companies or industrial groups every two months. However, the ruling party's pro-Independence stance and resistance to integration with the Mainland makes it unlikely that Taiwan will reward China with wheat or wheat product market liberalization any time soon. However, a recent opposition party visit to PRC indicates a thaw in cross-straits relations is still possible. In addition, the PRC has shown an increased willingness to resolve bilateral phytosanitary issues and to provide MFN for Taiwan's agricultural product exports. Eventually, Taiwan may have to reciprocate.

If PRC imports of noodles and other processed products were allowed, PRC products could compete strongly in the Taiwan instant noodle market. To prepare for this eventuality, Taiwan's largest two instant noodle producers have invested heavily in Mainland China and plan to ship from the PRC if Taiwan ends its import ban. In preparation for liberalization, one instant noodle company already uses the same brand names for products sold on both sides of the Taiwan Strait. Since a potential flood of Chinese products would greatly influence the Taiwan flour and instant noodle market and possibly increase unemployment in a contracting wheat/noodle sector, Taiwan will be reluctant to lift the ban quickly.

Although the entry of PRC products would likely disrupt the Taiwan wheat market, direct sales of Chinese wheat and wheat flour would face stiffer competition. The dominant position of U.S. wheat in the market, its reliable quality and supply along with the technical support offered by U.S. Wheat Associates will make Taiwan millers and food manufacturers reluctant to switch to alternative suppliers.

In the long-run, PRC wheat and products are expected to affect U.S. wheat exports to Taiwan by cutting demand for HRW, WW and SW wheat while possibly boosting it for DNS wheat. Since China produces middle protein wheat and little high protein wheat, Taiwan millers anticipate stiff competition in the low-end flour market, where flour is used for making cookies and gluten products that account for 12 percent of the total flour market. On the other hand, Taiwan millers hope to supply high quality flour to the Mainland if China reciprocates a Taiwan market opening. Outside of the milling sector, China's potential for feed grain production has stimulated Taiwan feed miller interest in importing some PRC feed wheat, especially if corn prices remain high.

Taiwan Buying Practices and Investment Plans

The Taiwan flour milling industry continues to import through its long-standing collective group purchasing system under which companies pool their funds and jointly bring in large grain shipments to cut costs. To increase Taiwan's milling competitiveness, the industry is considering the construction of a NT$1.5 billion ($45 million) flour mill with an annual capacity of 600,000 tons of wheat to be built at Taichung harbor in central Taiwan.

Corn Situation & Outlook

Table 2. Corn Production, Supply and Demand, 1,000 MT

PSD TABLE						
Country	Taiwan					
Commodity	Corn				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Area Harvested	10	10	10	9	0	9
Beginning Stocks	1310	1185	1510	1200	1560	1023
Production	50	53	50	48	0	48
TOTAL Mkt. Yr. Imports	4900	5075	4700	4860	0	4890
Oct-Sep Imports	4900	4806	4700	4800	0	4890
Oct-Sep Import U.S.	4749	4565	0	4560	0	4680
TOTAL SUPPLY	6260	6313	6260	6108	1560	5961
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	4450	4903	4400	4875	0	4680
TOTAL Dom. Consumption	4750	5113	4700	5085	0	4890
Ending Stocks	1510	1200	1560	1023	0	1071
TOTAL DISTRIBUTION	6260	6313	6260	6108	0	5961

Production

Taiwan is not expected to produce corn in any significant quantities in 2005/06. Without a significant production subsidy, domestically produced corn is not competitive with imported products. In recent years, domestically produced feed corn has accounted for less than one percent of total corn consumption.

Consumption

In 2005/06, nearly 95 percent of forecast Taiwan's 4.89 million tons (4.68 million tons) of corn consumption will go for feed use, with the remaining 200,000 tons wet milled to produce corn syrup and 10,000 tons dry milled to produce corn meal/grit.

Taiwan's demand for feed grains is expected to continue shrinking in tandem with the expected reduction in livestock and poultry caused by increasing meat imports. Total feed demand is forecast at 7.2 million metric tons in 2005, down from 7.460 million metric tons in 2004. Taiwan's feed corn consumption is expected to contract 4.6 percent in line with a forecast reduction in local livestock production. Replacement of the TRQs with liberalization in 2005 will likely sharply increase imports of red meat and poultry in the next two years.

Industry sources expect this to result in an 11 percent of reduction in local chicken production in 2005 and a 2 percent of contraction in both chicken and swine sectors in 2006 (see TW5001: Soybean Situation and Outlook Section). Approximately 45 percent of Taiwan's feed production goes to the poultry sector, with most of the rest going to swine production.

Stocks

Taiwan ending stock levels for 2005/06 are expected to be 1.0 million tons, which is around 100,000 tons below the recent historical average. This is likely a result of lower consumption, which reduces the need to hold stocks.

Trade

Taiwan's corn imports in 2005/06 are forecast at approximately 4.9 million metric tons, which is close to 2004/05 levels. Although changes in world corn prices may stimulate more feed wheat imports, these shipments are not expected to have a major impact on Taiwan's corn market.

In 2005/06, the United States is expected to remain Taiwan's major supplier of corn, although high prices may slightly erode market share by encouraging experimentation with feed wheat or corn from new origins. High corn prices usually spur small-volume corn imports from non-U.S. sources, with Argentina being the largest competitor. PRC and Thai corn are also expected to enter Taiwan in small amounts along with minor shipments from Southeast Asia. In 2003/04, the United States had a 95 percent share of Taiwan's total corn imports, while Mainland China took 2 percent, Thailand 1 percent and other counties combined 2 percent. U.S. market share was up from 89 percent a year earlier.

During the forecast period, the largest threats to the U.S. corn market in Taiwan are increasingly competitive south American corn exports to Taiwan and a steeper than expected decline in Taiwan's broiler sector. In the short-term, tightening PRC corn supplies and growing domestic demand have reduced the immediate threat of large-scale corn exports to Taiwan. Over the longer-term, increases in PRC corn production or quality combined with the use of export subsidies are expected to increase pressure on Taiwan to open its market. Geographical proximity, the availability of smaller shipments and a possible improvement in the cross-strait relationship could also create opportunities for PRC corn in the future.

Corn Substitutes

Although high corn prices may encourage some small imports of other feed grains such as feed wheat or barley, it is unlikely that these products will see large gains in market share. In 2004, Taiwan's feed inclusion rate for corn remained at approximately 65 percent, based on corn supply and feed production figures. The feed inclusion rate of other feed grains combined was 0.35 percent (down by 0.5 percent from the previous year), including approximately 140,000 tons of barley (33,000 tons in 2003), 52,000 tons of sorghum (69,000 tons in 2003), and 68,000 tons of feed wheat (152,000 tons in 2003).

The Taiwan feed millers imported feed wheat for the first time in 2000. Feed wheat imports are expected to decrease because of the availability of Australian barley and a possible fall in world corn prices in 2005. Taiwan has stopped the widespread use of rice for animal feed after entering the WTO in January 2002.

Development of Industrial Uses for Corn

The U.S. Grain Council (USGC) office in Taiwan has been developing the Taiwan bioplastics market, which could eventually become a major outlet for U.S. corn. USGC is also exploring ways to increase the use of biodegradable plastics to meet demand created by growing environmental restrictions on the use of non-biodegradable products. On March 16 2005, Taiwan announced a demonstration program to support the use of biodegradable plastics on Taiwan. During a six-month program, Wei Mon Enterprises, a Taiwan bioplastics producer, will subsidize the extra cost of these products that will be used primarily in supermarkets to hold eggs, meat and bakery products. Simultaneously, Taiwan EPA will promote the use of bioplastics by these retail food establishments. The demonstration program will test the functionality of PLA products and introduce them to the public. Afterwards, Taiwan EPA is expected to require the use of bioplastics in food retail applications where technically and economically feasible.

Policy

Cross-Straits Trade

In October 2002, Taiwan allowed the entry of PRC corn for the first time, giving China its first opportunity to enter the Taiwan market. So far, Taiwan has only authorized limited imports of many Chinese food products to make up for local shortages, although there is a liberalizing trend on all imports from China. PRC corn has only been allowed entry during three periods:

- October - December 2002, with imports of 71,000 tons
- November 2003 - January 2004, with imports of 67,502 tons.
- March - May 2004, with imports of 22,946 tons.

Since May 2004, the market has been closed again. Taiwan authorities review these restrictions every six months, with the next formal review scheduled for September 2005. Taiwan also review petitions submitted by industry groups. Several feed millers with investments in China have linked up with Taiwan swine producers to petition the island's authorities to permanently end the import ban.

Although periodic market openings to PRC corn may continue, allowing its entry permanently is a major step that would only likely occur after lengthy deliberations. There are several reasons for this caution: One, Taiwan commercial feed millers/corn importers have resisted the introduction of PRC corn because it will undermine their long-standing group buying arrangements that have allowed companies to import large cargoes on favorable terms. Two, the PRC has not proven to be a reliable supplier to other markets because it has cancelled shipments with little advance notice. Three, PRC corn is of uncertain quality, which could complicate attempts to calculate feed rations. Four, China appears to be subsidizing corn exports, which is contrary to its WTO Accession Agreement commitments. The export subsidy was the major reason why PRC corn was competitive in Taiwan in 2002-2004.

If the ban were lifted, the geographic proximity of Northeast China to Taiwan could allow smaller shipments, faster delivery and lower carrying costs for Taiwan importers relative to U.S. corn. PRC shipments could also make it possible for small firms to import corn independently of the traditional major buying groups. On the other hand, China's advantage in making small shipments may be offset when U.S. feed grain suppliers are able to use containerized shipments to supply Taiwan when ocean freight costs rise. The very low container backhaul rates to Taiwan from the U.S. could make this an attractive prospect for

U.S. grain exporters. Reportedly, more than 200,000 tons of U.S. corn was shipped to Taiwan via containers in 2004.

Livestock Initiatives

To adjust to post-WTO trade conditions and 2005 import liberalization, Taiwan's livestock and feed industries are working to improve the competitiveness of Taiwan poultry and swine production. The National Animal Industry Foundation (NAIF) was formed in January 2000 to support the differentiation between locally produced chicken and pork products from imported products by establishing logos related to freshness and taste. The Taiwan Council of Agriculture (COA) is also attempting to improve the quality of domestically produced meat and poultry products in order to compete more effectively with imported products. COA has also worked to reestablish Taiwan's Food and Mouth Disease (FMD) free status in order to resume Taiwan's pork exports to Japan. Despite COA's efforts, FMD free status without vaccination is still at least one year away.

Biotechnology Update

On February 23, 2001, the Taiwan Department of Health (DOH) promulgated regulations on bioengineered food labeling and registration. Although these regulations only applied to soybeans and corn and products, they will likely expand to other products in the future. Taiwan's bioengineered food safety approval and labeling regulation took effect on January 1, 2003. From this time, no bioengineered soybean and corn may be produced, processed, prepared, packed, and imported or exported unless they are registered. All bioengineered varieties of soybeans and corn must be registered and approved by the Food Safety Bureau (FSB) of the Department of Health (DOH).

Corn food products made of non-bioengineered materials can be labeled "Non-Genetically-Modified" on a voluntary basis. The labeling regulations will not apply to products that do not contain pieces of transgene(s) or protein such as cornstarch, corn syrup and corn oil. Taiwan will use a 5 percent tolerance level by weight to determine a product's bioengineered status. Corn foods sold at traditional "wet" markets and at restaurants will not require labeling, a practice that was recently criticized by consumer groups.

Taiwan has approved 11 of the most widely commercialized bioengineered corn and soybean events. It is currently drafting a basic law to cover all products derived from biotechnology. The first draft law was completed and was published on March 23, 2005, for comment. The draft, along with any comments, will subsequently be discussed in the GM Products Task Force, which is under the Executive Yuan ("EY" or cabinet). After this, the bill will be submitted to the EY for review before going to the Legislative Yuan (parliament) for consideration. Taiwan has no clear timeline over how long it will take to finalize the biotech law.

In the meantime, Taiwan has been increasing its funding for biotech food regulation. It recently allocated a two-year capacity building budget of NT$1.4 million or $420,000 to facilitate conducting food safety assessments. This figure is up several times from earlier levels.

Taiwan is also currently drafting implementing regulations for LMOs under the terms of its recently amended Plant Variety and Plant Seed Act. An early draft of its biotech products import-export regulation that included grains for food, feed or for processing into Taiwan has been changed to exclude regulation of trade of these products. However, in the future, it is expected that Taiwan will amend its Feed Control Act to regulate feed grains derived from modern biotechnology.

U.S. – Taiwan Goodwill Missions

In September 2003, Taiwan importers signed a Letter of Intent to import a minimum of 7.5 million tons of corn and 3.2 million tons of soybeans in 2003 and 2004. Private Taiwan importers rather than government agencies fulfill these non-binding commitments. Signing ceremonies for these agreements typically take place in Washington, D.C. Discussions about a mission in 2005 continue.

Rice Situation and Outlook

Table 3. Rice Production, Supply and Demand, 1,000 MT

PSD TABLE						
Country	Taiwan					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Area Harvested	272	272	264	237	0	258
Beginning Stocks	245	385	304	451	231	362
Milled Production	1164	1164	1027	1011	0	1025
Rough Production	1651	1648	1467	1434	0	1454
MILLING RATE (.9999)	7049	7063	7000	7049	0	7049
TOTAL Imports	135	151	125	156	0	126
Jan-Dec Imports	125	151	125	156	0	126
Jan-Dec Import U.S.	0	115	0	83	0	63
TOTAL SUPPLY	1544	1700	1456	1618	231	1513
TOTAL Exports	90	49	100	56	0	30
Jan-Dec Exports	100	49	100	56	0	30
TOTAL Dom. Consumption	1150	1200	1125	1200	0	1200
Ending Stocks	304	451	231	362	0	283
TOTAL DISTRIBUTION	1544	1700	1456	1618	0	1513

(PSD Note: Due to U.S. West Coast Port Lockout in late 2002, U.S. exports for 2002 were moved into 2003. This reduced 2002 rice imports to 76 tmt instead of the full quota amount of 126 tmt. In addition, 29,229 mt of the 2003 public imports were delivered in 2004. It is anticipated about the same amount of public quota rice entered into Taiwan in the following year because Taiwan tenders for U.S. new crop rice which available in the market after September. As a result, imports were 151 tmt and 126 tmt in 2003 and 2004, respectively.)

Production

Rice production is expected to remain just slightly above 1 million tons to accommodate the 144,720 mt (brown basis) of imported rice allowed entry since 2002. In 2002, rice imports did not significantly impact the local rice market because imports began late in the year. However, anticipation of rice imports pushed local rice market prices to a decade low of NT$29/kg in 2003. To put a floor under prices, COA increased its purchases of rice, referred to as "import relief purchases", to balance the market. Since February 2004, rice retail market prices rose strongly to NT$34/kg. This price was higher than the average rice retail price at NT$32/kg in 2001, the year before Taiwan opened to rice imports.

Higher prices also enabled Taiwan to release publicly imported rice to the market quickly in 2004-2005. As of April 22 2005, Taiwan has released 160,000 mt of centralized imported rice to the local market, equivalent to 1.7 year's worth of public imports. The most recent release was announced April 21, 2005, see Table 10 below for further details.

Starting in Spring 2005, the success of Thai fragrant rice imports has spurred commercialization of a new local fragrant rice variety in northern Taiwan. So far, the new

Taiwan fragrant rice has been well received by local consumers. In addition, a new glutinous rice variety and a high-end Japanese variety were commercialized in 2004 and 2005. To differentiate local from imported product, Taiwan sells local rice with variety, specialty and geographical (county) labeling.

Consumption

The total domestic rice consumption forecast remains at about 1.2 million tons, with per capita consumption at 52.05 kg in 2004. Since rice is a major staple food, its consumption is very stable. Market promotions are unlikely to increase total demand, but could shift rice it significantly between varieties and origins.

Stocks

Taiwan ending rice stocks are expected to fall because of declining local production and increasing sales of rice imported by the public sector. This reversed a 2003 build-up in stocks to 451,000 tons that was the result of slow sales of publicly imported rice and a larger than expected Taiwan harvest. Ending stocks in 2005 are expected to be the lowest on record.

Table 4. Taiwan Rice Stocks Levels, 1994-2004, 1,000 MT

YEAR	1994 – 2001 AVERAGE	2002	2003	2004	2005 (FORECAST)
Ending Stocks	554	385	451	362	283

Trade
Imports

In 2003, Taiwan switched its import regime to a Tariff Rate Quota (TRQ) system from the Minimum Market Access (MMA) system used in 2002, its first year in the WTO. The total quota amount remains at 144,720 mt on a brown rice basis (equivalent to 126,000 tons on a milled rice basis). Of this total, 65 percent is reserved for government purchases and 35 percent for the private trade. All grain dealers who have registered with COA and have a grain dealer license may bid for rice import quotas. The out-of-quota tariff rate is NT$45/kg for rice and NT$49/kg for processed rice products, with conversion factor of 1.15 to convert from milled or processed products to brown rice.

Taiwan's change to a TRQ system was submitted to the WTO in October 2002. In December 2002, it passed enabling legislation without prior consultation with WTO members, triggering a formal objection from the U.S., Australia, and Thailand in Geneva. The objections were based on Taiwan's lack of consultation, the removal of previous negotiated WTO headnote language and associated concessions, and the extremely high out of quota duty. Taiwan and its trading partners continue to make slow progress in resolving the issue.

Although Taiwan has switched to a TRQ regime, it has fulfilled its obligation to import full quota amount of rice, with virtually 100 percent of fill rates for quotas both in public and private trade. See Table 5 below for quota fill data.

Table 5. Import Summary Table for 2003-2004 Quota Fill

ORIGIN	2003				2004			
	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share
The United States	70,068	4,676	74,744	51.7%	77,826.5	6,605	84,431.5	58.3%
Thailand	6,000	31,056	37,056	25.6%	6,241.5	24,431	30,672.5	21.2%
Australia	8,000	268	8,268	5.7%	10,000	222	10,222	7.1%
Egypt	10,000	14,265	24,265	16.8%	0	19,081	19,081	13.2%
Japan	0	298	0	0.2%	0	256	256	0.2%
Other Countries	0	18	18	--	0	39	39	--
Grand Total	94,068	50,581	144,649	100%	94,068	50,634	144,702	100%
Quota Fill Rate	99.951%				99.999%			
Source: Council of Agriculture (COA)								

Private Trade

Thailand had a 48 percent share of the 2004 rice private trade, followed by Egypt with 38 percent, the United States 13 percent, and Japan and Australia each had less than 1 percent.

Under the TRQ, importers bid for quota rights that are sold to the highest bidders first. Using the so-called “System Three” quota bidding system, Taiwan has already successfully allocated 35,652 mt out of all 50,652 mt (brown basis) of 2004 quota rights to local importers, with the bid prices ranging from NT$11.280/kg to NT$17.000/kg (brown basis). The specific quota allocation results for the private trade are reported in GAIN TW3049, TW4006, TW4017 and TW5010. Prices in 2005 were higher then in 2004. The cost for quota rights in 2004 reflects conditions in the local rice markets – higher local prices make import rights more valuable.

As of April 2005, the private quota for 2004 was 100 percent filled. Taiwan did not even have to use its quota reallocation mechanism in 2004/05, which redistributes unused import rights. Only a few quota holders who failed to import rice before September 15 had to request extension of their quota rights to the end of year.

Public Trade

The United States continues to dominate the public rice trade, with a 75, 67 and 83 percent share in 2002-2004 public imports, respectively. In 2004, Australia captured an 11 percent share and Thailand 6 percent, while Egypt didn’t participate in the rice tenders. To address concerns about food safety and quality, Taiwan has amended its rice tender specifications in 2005. Please refer to TW5009 for specific changes.

The 2005 public tender schedule for public imports was reported in TW4054, which is scheduled to run March-September. As of mid-April, Taiwan has tendered and contracted for 12,000 mt of medium brown grain (U.S. supply) and 3,450 mt of milled glutinous long grain (Thai supply).

Tight Supplies of Glutinous Rice Continue

Taiwan produces approximately 65,000 mt of glutinous rice a year, with domestic supply and demand generally balanced in most years. In 2004, glutinous rice prices increased sharply because of the timing of the Chinese New Year and the Dragon Boat Festival, which both come before the Taiwan spring rice harvest. This generally only happens every four years when planting season starts late because of the leap year. Although Taiwan imported 22,000 tons of glutinous rice in 2004, glutinous rice market prices remain at rather high levels at NT$44/kg for short grain and NT$43/kg for long grain milled glutinous. This desire to stabilize prices is the primary reason why Taiwan has continued to tender for glutinous rice in 2005.

Table 6: Rice Imports for 2004 in Metric Tons by HS code

Origin	HS100620 (brown-public)	HS100620 (milled-public)	HS100630-0010 (glutinous)	HS10063-0090 (milled-private)	HS100640 (broken)	Total/Share
U.S.A.	86,437	75,200	790	6,726	0	82,716/53%
Australia	17,171	14,939	0	183	0	15,122/10%
Egypt	8,107	7,053	0	16,814	0	23,867/15%
Myanmar	0	0	0	198	0	198
Thailand	6,550	5,699	19,748	6,489	780	32,716/21%
Vietnam	0	0	1,744	0	0	1,744/1%
Others	17	15	0	11	0	26
Total	118,282	102,906	22,282	30,421	780	156,389
Source: Council of Agriculture (COA) website at http//www.coa.gov.tw						

Exports

Taiwan stopped selling surplus rice onto the world market at discounted prices after WTO entry.

In 2004, commercial exports amounted to only 43 mt, of which 18 mt was destined for Japan. Taiwan's rice industry was very proud of its chance to enter the Japan market since its exports meet Japan's sanitary standards, one of the most stringent in the world. Taiwan authorities and growers have used this Japan trade to promote domestically grown rice to local consumers.

Taiwan also sent 56,000 tons of rice (milled basis) as food aid to needy countries in 2004 to control stocks.

Table 7. Food Aid Statistics Table for 2003 (on a milled basis)

DESTINATION	TONNAGE
Dominican Republic	20,000
Indonesia	16,900
Mongolia	10,100
Haiti	5,000
Iran	2,600
Kiribati	1,000
Bangladesh	600
Tanzania	40
Tuvalu	40
Marshall Islands	40
Total	56,312
Source: Council of Agriculture (COA)	

Policy

Imported rice continues to be inspected on a lot-by-lot basis for pesticide residues, heavy metal and aflatoxin by the Bureau of Standards, Metrology and Inspection (BSMI). This raises some national treatment concerns as Taiwan rice does not appear to be subject to such inspection. In March 2004, this issue was mitigated slightly when the Agriculture and Food Agency (AFA) under the Council of Agriculture moved to monitor pesticide residues in domestically produced agricultural products, including rice.

Marketing

The introduction of imported rice has resulted in the diversification of the Taiwan rice market into different origins and varieties. Taiwan customers now have the choice of many different types of rice, including Calrose, Koshihikari, Jasmine or Tamanishiki. With the exception of specialty rices, Taiwan customers prefer local freshly produced and milled rice. Calrose doesn't fall in the specialty rice category and goes to institutional use, which accounts for 65 to 70 percent of total rice distribution. Institutional use is also stimulated by the lack of a price premium for Calrose on the Taiwan market. However, many Taiwan millers prefer marketing a 20/80 Calrose/Taiwan rice mix to increase profits. However, specialty rice such as Jasmine Thai rice or Missouri rice, Koshihikari, organic brown, rice with germ, and certified Taiwan good quality rice are priced higher than general rice varieties. The USA Rice Federation has launched its consumer promotion activities in 2004 and 2005 to promote 100 percent pack U.S. rice to increase consumer awareness of U.S. high quality rice.

The diversification of rice products and the presence of new premium varieties has made local consumers increasingly concerned about false labeling of commercially packed rice. To help ensure that people get what they pay for, COA is conducting research on how to better monitor rice freshness, varieties, and origins to ensure more truth in labeling. Current rice labeling guidelines require that commercially packed rice list rice origin, local production county for Taiwan rice, or both for mixed origins. There is an ongoing project to build a "rice DNA fingerprint data bank" to cover rice varieties from Taiwan, the United States, Australia, Thailand, and Mainland China. DNA fingerprints will help prevent false labeling on rice packages and illegally transshipped rice.

Taiwan rice millers are using different market strategies to respond to the post-WTO market. Large millers are both importing and investing in new milling/packing facilities to improve quality in order to compete with imported products. One top local miller has taken out newspaper ads for imported U.S., Japanese, Australian, and Thai rice sold under his brand. Some millers claim that they will stick with locally grown rice and segregate it from imports though advertising. COA is training its staff to inspect packaged rice in retail outlets to improve domestically grown rice quality in order to be able to compete more effectively with imported rice.

Taiwan rice producers have also attempted to gain from other changes in consumption. With the rise of fusion food, Taiwan rice producers have aimed to compete with imported rice from various suppliers though menu promotions using local equivalents of Risotto, Southeast Asia chicken rice and Xing-Jiang rice. These promotional activities of locally produced rice are becoming market challenges to the U.S. Rice Export Federation's menu promotions.

Since Taiwan's rice production cost is much higher than imported rice, Taiwan agricultural authorities have been working with local rice millers/farmers to improve quality under a voluntary Taiwan Good Rice Program. In September 2004, the first ever rice contest was held to highlight Taiwan's best rices. The champion rice was sold thru auctions to encourage rice farmers to focus on high quality rice. The champion rice was sold at NT$6,000/kg, the second prized rice sold at NT$5,000/kg, the 3rd at NT$4,000/kg. Despite these efforts, the local HRI sector remains skeptical, especially because of the high prices for local rices.

Guaranteed Rice Purchase Prices

Two voluntary programs exist under which farmers can sell rice to Taiwan central authorities for pre-established prices: the guaranteed purchase program, and the price guidance program. Sales under these programs are limited to certain quantities per hectare. If a farmer were to sell the maximum per-hectare quantities allowable under these two programs, program sales would roughly equal half of production.

The basic purchase program has not changed fundamentally since 1993. However, in October 2003, Council of Agriculture (COA) allocated a NT$2 billion (approximately $600 million) from the Import Relief Measure funds to purchase additional paddy rice to stabilize the local rice market. The eligible amount of import relief purchase is set at 3,000 kg/ha for the spring crop and 2,360 kg/ha for the second crop. These were calculated on the five-year average production level subtract the 1,440 kg of guaranteed purchases. The import relief purchases were triggered by declining paddy rice prices that slipped by 18 percent below the five-year average level of NT$15.6/kg. These lower prices were a result of Taiwan's larger than expected rice harvest and implementation of Taiwan's WTO commitment to import 144,720 tons of rice. The import relief purchases pushed up the paddy rice price to NT$16.2/kg on December 12, 2003, and the current paddy prices are NT$20.58/kg and NT$18.33/kg for Japonica and Indica rice, respectively.

Taiwan plans to use the import relief purchase mechanism again if prices for the fall crop dip below the "acceptable level" of NT$16.6/kg. Farmers have been pressing to increase the import relief purchase price to NT$23/kg to their reflect production costs, but the request was refused because it would have likely pushed Taiwan's AMS above WTO limits. Higher payments would have also created an incentive to increase production further, creating more downward pressure on the rice market while pushing up stocks levels and complicating plans to dispose of domestically produced rice.

Table 8. Taiwan's Rice Purchase Programs

	Guaranteed Purchase (paddy basis)	Guidance Purchase (paddy basis)	Import Relief Purchase (paddy basis)
Variety	Price NT$/kg	Price NT$/kg	Price NT$/kg
Japonica rice	21	18	16.6
Indica rice	20	17	15.6
	Quantity kg/ha	Quantity kg/ha	Quantity kg/ha
Spring Crop	1,920	1,200	3,000
Fall Crop	1,440	800	2,360

Source: Taiwan Council of Agriculture

SECTION II. STATISTICAL TABLES

Table 9. Rice Retail Prices, 2004-5

PRICES TABLE			
Country	Taiwan		
Commodity	Rice, Milled		
Prices in	NT Dollar	per uom	100 kg
Year	2004	2005	% Change
Jan	2994	3474	16%
Feb	3239	3477	7%
Mar	3285	3486	6%
Apr	3493	3489	0%
May	3418		-100%
Jun	3343		-100%
Jul	3221		-100%
Aug	3171		-100%
Sep	3163		-100%
Oct	3234		-100%
Nov	3459		-100%
Dec	3474		-100%
Exchange Rate	31.44	Local Currency/US $	
Date of Quote	04/25/2005	MM/DD/YYYY	

Table 10. Market Releases of Public Rice, as of April 21, 2005

TYPES OF GRAINS/CROP YEAR	ORIGINS	RELEASED QUANTITY IN MT	RELEASED PRICE	*WHOLESALE MARKET PRICE IN APRIL 2005
Medium brown/ 2002	U.S.A.	100	NT$23.31/kg	NT$25.96/kg
Medium brown/2003	U.S.A.	2,090	NT$23.63/kg	NT$25.96/kg
Medium brown/2003	U.S.A.	1,600	NT$24.94/kg (cold storaged rice)	NT$25.96/kg
Medium brown/2004	U.S.A.	200	NT$26.25/kg	NT$25.96/kg
Short brown/2003	Australia	391.94	NT$23.63/kg	NT$25.96/kg
Long milled	Thailand	400	NT$27.00/kg	NT$36.23/kg

TYPES OF GRAINS/CROP YEAR	ORIGINS	RELEASED QUANTITY IN MT	RELEASED PRICE	*WHOLESALE MARKET PRICE IN APRIL 2005
glutinous/2003				
Long milled glutinous/2004	Thailand	100	NT$30.00/kg	NT$36.23/kg
Short milled glutinous/2004	U.S.A.	200	NT$35.82/kg	NT$39.36/kg
*The quoted wholesale prices are Japonica brown rice, milled long and short grain glutinous rice, respectively, which are official prices published by COA and are a general average price, with no indication of crop year or grade. The COA set market released prices do reflect crop years and storage conditions etc market value factors. Source: Council of Agriculture.				

Table 11. Tariff Rates for Grains

HS CODE	GRAINS	CURRENT TARIFF (%)
1001.10 & 1001.90	Wheat	6.5
1101.00	Wheat Flour	17.5
1005.10	Corn	0
1007.00	Sorghum	0
1003.00	Barley	0
1006	Rice	NT$49 per kg**
	Source: Taiwan Customs Tariff Schedule **Out of Quota rate for unprocessed rice. Private Sector rice imports will enter through the System 3 auction quota allocation system with a price ceiling at NT$23.26 per kg	

Table 12. Meat Production for 2001-2005 in 1,000 mt

PRODUCTION	2001	2002	2003	2004	2005 (FORECAST)
Pork	962	935	893	895	884
Poultry	697	697	685	638	621

Source: Council of Agriculture

Table 13. Feed Production for 2001-2005 in 1,000 mt

FEED PRODUCTION	2001	2002	2003	2004 (ESTIMATE)	2005 (FORECAST)
Total Compound Feed Produced	7,730	7,563	7,544	7,460	7,200
by commercial producers	5,015	4,921	5,083	5,060	4,851
by integrated producers	2,715	2,642	2,461	2,400	2,349
Note: Feed production estimates are based on the preliminary official data for 2003 Source: Data for 2000-2001 feed production are official numbers from the Council of Agriculture					

Table 14. Non-Grain & Feed Reports Bibliography

Report #	Date	Title
TW4040	9/22/2004	Poultry Annual
TW4043	10/13/2004	Bioplastics
TW4054	12/17/2004	2005 Public Rice Tenders
TW5001	12/29/2004	Oilseeds and Products Annual
TW5003	02/03/2005	Livestock Semi-Annual